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New Motor Vehicle Sales: 2007 in Review

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New Motor Vehicle Sales: 2007 in Review

Joseph Patrick Dunlavy, Distributive Trades Division

Summary

From the average amount spent on cars to the characteristics of the "Big Three" auto makers, Canadian motorists established a number of 'firsts' when it came to buying new motor vehicles last year, according to a review of annual data for 2007. Among new developments during the year were:

- For the first time since 2003, drivers in Alberta were not above the other provinces in terms of the biggest percentage growth of new vehicle sales. Growth in unit sales rose 3.3% in Alberta, while they jumped 16.8% in Newfoundland and Labrador, now leading the pack.

- For the first time since 2001, the average amount spent on a new motor vehicle sold in Canada fell from the previous year. This change could reflect a difference in the type of vehicle purchased as well as the price. On average, drivers spent $31,723 for a new motor vehicle in 2007, down 2.0% from $32,386 in 2006.

- The traditional "Big Three" automakers no longer controlled a majority of the market for North American-built passenger cars. In 2007, their market share fell below 50%. The "Big Three" accounted for only 49.1% of the Canadian market for North-American-built passenger cars. In 2000, they accounted for 67.9%.

Overall, dealers sold 1,690,538 new vehicles in 2007, the second highest level on record —the series exists since 1946— and a 1.5% increase over 2006. Although this was the third consecutive annual increase, the level still fell short of the record set in 2002.

Fifteen years ago, passenger cars made up about two-thirds of new vehicle sales. In 2007, they accounted for only about half (50.8%); this proportion was down slightly from 2006.

Sales of passenger cars slipped 0.5% to 859,003 units in 2007. Most of this slip was for North American-built models, where sales fell for the fourth time in the last five years. On the other hand, dealers sold a record high 831,535 new trucks last year, up 3.5% from 2006.

In total, households and businesses spent $53.6 billion on new vehicles in 2007. This was a slight 0.6% decline from 2006, despite unit sales rising 1.5%. Sluggish sales of heavy trucks and buses had a dampening effect on the dollar value of the new motor vehicle market. Heavy trucks have a high unit price relative to cars and smaller trucks. Sales of heavy trucks in 2007 were depressed as firms had advanced their purchases to comply with the January 1, 2007 implementation of new Environmental Protection Agency emission standards in the United States. After five consecutive years of double-digit growth, dollar sales of heavy trucks and buses fell 30.6%.

New trucks other than heavy trucks and buses explain most of the increase in unit sales as well as the increase in dollar sales.

In the passenger car market, Ontario drivers spent the most on these types of new vehicle, $26,933 on average. Motorists in British Columbia spent the most for trucks, an average of $40,666.

Definitions and data source

Passenger cars include those used for personal and commercial purposes, such as taxis or rental cars. **Trucks** include minivans, sport-utility vehicles, light and heavy trucks, vans and buses.

North American-built new motor vehicles include vehicles manufactured or assembled in Canada, the United States or Mexico. All other new motor vehicles are considered to have been manufactured overseas.

Big Three vehicles are those built or assembled by Ford, General Motors or Chrysler.

Automaker transplants are plants owned by overseas-based automakers that build or assemble vehicles in North America.

For reasons of confidentiality, data for Yukon, the Northwest Territories and Nunavut are included with those for British Columbia.

Most of the results shown in this study come from the New Motor Vehicle Sales Survey, compiled on the basis of figures obtained from motor vehicle manufacturers and importers. These results may vary from those obtained directly from auto dealers, due to possible differences in record keeping.

The figures do not include new and "nearly new" vehicles imported by persons during trips to the United States and by brokers and domestic vehicle dealers for resale in Canada. In 2006, Statistics Canada estimated from administrative sources that the number of new and nearly new vehicles imported by persons, brokers and dealers was approximately 1% of total new motor vehicle sales in Canada.

Data used for this study are accurate as of the date of publication. Due to possible revisions, discrepancies between tables in this issue and other products from Statistics Canada published later may arise.

New motor vehicle sales up for third straight year

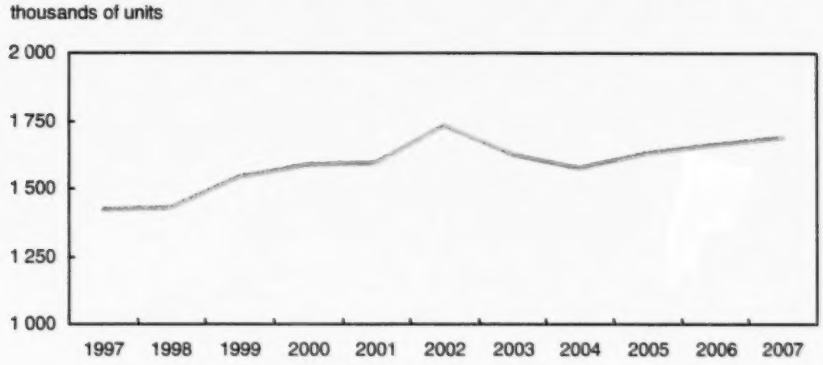
Sales of new motor vehicles climbed for the third straight year in 2007, but still fell short of the record set in 2002. Sales increased 1.5% over 2006 to 1,690,538 units, the second highest amount on record.

Sales peaked in 2002 in the wake of some of the lowest interest rates in 40 years. After declines in 2003 and 2004, sales generally followed an upward trend from the end of 2005 to the summer of 2007. Seasonally adjusted data showed that a series of declines in the second half of 2007 failed to offset strong second-quarter sales. This resulted in an overall increase for the year.

Although monthly sales were volatile, the trucks category led growth with another record-setting year in 2007. Dealers sold an all-time high of 831,535 new trucks, up 3.5% over 2006.

At the same time, passenger car sales slipped 0.5% to 859,003 units. It was the third annual decline in passenger car sales since their most recent peak in 2002. This may reflect consumer tastes for passenger vehicles such as minivans and SUVs.

Chart 1 New motor vehicles sales grow for third consecutive year



Source: Statistics Canada, CANSIM table 079-0003.

Passenger cars losing market share to trucks

New passenger cars continue to lose market share to trucks. Passenger car sales accounted for just over half (50.8%) of new vehicle sales in 2007, down slightly from 2006. New trucks accounted for the rest. Fifteen years ago, passenger cars represented about two-thirds of the market.

The decline in passenger car sales can be attributed to lower sales of North American-built models. In 2007, Canadian drivers bought 551,001 North American-built cars, down 3.9% from 2006. It was the fourth annual decline in the last five years. However, this amount was still above the recent low in 2004 when dealers sold only 542,814 North American-built units.

On the other hand, sales of cars built overseas surged 6.2%. In doing so, they captured 35.9% of the new passenger car market in 2007. This was their second highest market share in Canada since data were first recorded in 1953. Their share in 1992 was 36.9%.

In the case of passenger cars built in North America, the traditional "Big Three" automakers no longer controlled a majority of the market. In 2007, their share fell below one-half. The "Big Three" accounted for 49.1% of the market for North-American-built passenger cars.

Sales of passenger cars built by transplants, that is, manufacturing plants in North America owned by overseas-based companies, continued to rise and, consequently, captured a bigger market share.

Buyers purchased $21.8 billion in new passenger cars in 2007, down 1.2% from 2006. This was only the third decline in the amount spent on new passenger cars over the last decade.

Table 1 Market share of specific type of new motor vehicles, Canada, 1992 to 2007

	Truck market	Overseas-built market for passenger cars
	%	
1992	35.0	36.9
1993	38.0	33.2
1994	40.6	23.4
1995	42.5	17.4
1996	45.1	13.3
1997	48.1	14.8
1998	48.2	20.3
1999	47.7	22.5
2000	46.5	24.5
2001	45.6	28.6
2002	46.1	30.3
2003	46.8	30.1
2004	47.9	33.8
2005	48.2	32.0
2006	48.2	33.6
2007	49.2	35.9

Source: Statistics Canada, special tabulation, Distributive Trades Division.

Record high unit sales of trucks

Trucks comprise an all-encompassing category that includes minivans, sport-utility vehicles, light and heavy trucks, vans and buses. Total sales of these vehicles surged 3.5% to a record high 831,535 units in 2007. This was the third consecutive year of growth in annual sales of trucks.

Trucks represent a growing share of the new vehicle market in Canada. In 1992, they accounted for only 35.0% of the entire market; by 2007, this share had risen to nearly one-half (49.2%). Truck sales come from the expenditures of businesses and households.

But heavy trucks dampened dollar sales

In total, sales of new motor vehicles amounted to $53.6 billion in 2007, a slight 0.6% decline from the previous year despite the 1.5% gain in unit sales. Sluggish sales of heavy trucks had a dampening effect on the dollar value of the new motor vehicle market.

Dollar sales of heavy trucks and buses fell 30.6% in 2007, after five consecutive years of double-digit growth. Within this category, sales in 2006 were 'advanced' prior to the January 1, 2007

implementation of new, Environmental Protection Agency emission standards in the United States. As a result, many firms renewed their fleets in 2006, depressing sales in 2007.

Heavy trucks and buses, which are sold by wholesalers, have a high unit price relative to cars and smaller trucks. Changes in sales of heavy trucks and buses have a bigger impact on overall dollar sales, while the impact on overall unit sales is minimal.

In 2007, heavy trucks and buses accounted for 2.0% of total unit sales, but 7.7% of total dollar sales. If sales of heavy trucks and buses were excluded, the total dollar value of new vehicle sales in 2007 would have reached $49.5 billion, a 3.1% increase, instead of a 0.6% decline.

The purchase value of new trucks other than heavy trucks and buses rose 6.7% to $27.7 billion in 2007. Dollar sales in this category have declined in only two of the previous 10 years.

Table 2 Growth in dollar sales by type of vehicle, Canada, 1997 to 2007

	All new motor vehicles	Passenger cars	Light trucks[1]	Heavy trucks and buses
	Growth in dollar sales			
	%			
1997	23.8	16.0	31.6	23.8
1998	3.3	1.3	2.2	21.9
1999	12.6	11.5	14.0	9.9
2000	3.6	9.3	0.8	-8.9
2001	-0.1	1.8	2.5	-28.0
2002	11.4	9.6	12.5	16.2
2003	-3.3	-6.5	-2.6	15.3
2004	-1.7	-5.5	-2.4	27.5
2005	5.4	3.6	4.5	19.1
2006	3.2	4.0	0.3	13.9
2007	-0.6	-1.2	6.7	-30.6

1. This category also includes minivans, sport-utility vehicles and vans.

Source: Statistics Canada, special tabulation, Distributive Trades Division.

Average amount spent per vehicle purchased falls for first time in six years

For the first time since 2001, the average amount spent per new motor vehicle purchased in Canada declined from the previous year. On average, drivers paid $31,723 for a new vehicle last year, down 2.0% from $32,386 in 2006.

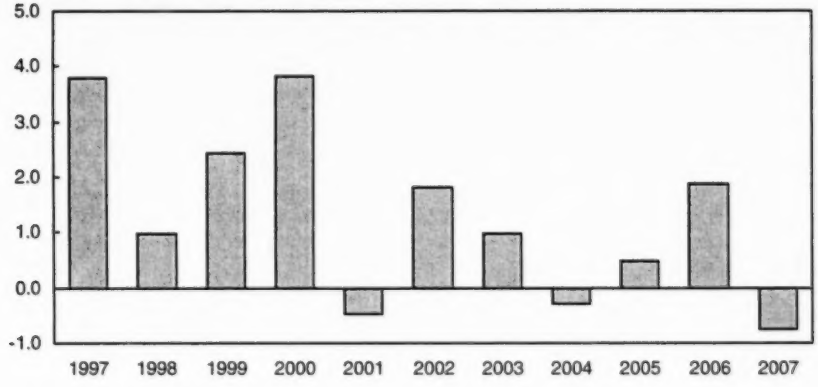
This decline was only partially due to the decrease in sales of heavy trucks and buses. The average spending for passenger cars fell 0.7% compared to 2006. This likely reflects consumer purchasing

patterns favouring more economical passenger cars such as subcompacts over more expensive compacts and intermediate models. Changes in the prices of new motor vehicles could also be a factor.

The average amount spent on new passenger cars has not fluctuated more than 2%, up or down, in all but three years since 1997.

Chart 2 Average amount spent on new passenger cars much more stable in new millennium

Yearly growth in average amount spent on new passenger cars (%)



Source: Statistics Canada, special tabulation, Distributive Trades Division.

The provinces: Sales growth highest in Newfoundland and Labrador

Annual sales increased in nine provinces in 2007. For the first time since 2003, drivers in Alberta failed to lead the other provinces with the highest percentage growth in new motor vehicle sales.

Sales rose only 3.3% in Alberta, while they jumped 16.8% in Newfoundland and Labrador, the new leader. It was followed by Saskatchewan where drivers bought 14.1% more vehicles. Growth in the resource sector may have fuelled the gains.

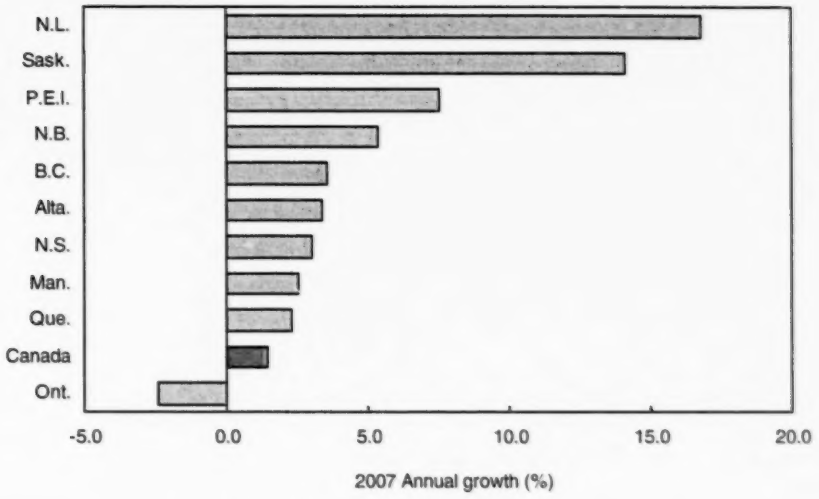
After posting the largest decline in Canada in 2006, drivers in Newfoundland and Labrador bought 28,260 units, the province's second highest level on record. Motorists in Saskatchewan purchased 45,546 units, the highest amount since 1986. In the case of both provinces, the substantial growth follows several years of relatively flat annual changes.

In Prince Edward Island, drivers bought 5,303 units, a 7.5% increase. This was the province's highest level of sales since 1989.

In Alberta, dealers sold 257,050 units, up 3.3%. It was the sixth highest growth rate among the provinces in 2007, after posting double-digit growth rates in 2005 and 2006.

The only province to post a decline in 2007 was Ontario, where unit sales fell 2.4%. Ontario drivers bought 605,799 units. Part of the explanation for the decline might be slow growth in average weekly earnings in Ontario in 2007, which increased by 2.8%. The increase in average weekly earnings was higher in every other province except for British Columbia and Nova Scotia.

Chart 3 Sales of new motor vehicles increase the most in Newfoundland and Labrador



Source: Statistics Canada, special tabulation, Distributive Trades Division.

Newfoundland and Labrador drivers led the way in terms of growth for both passenger car sales and truck sales as both categories grew more than 15%. It was one of six provinces in which passenger cars accounted for more than half of the new vehicle market. In the case of Newfoundland and Labrador, the market share for cars was 53.0%.

Thanks to large growth in truck sales, trucks accounted for 67.1% of all motor vehicles sold in Saskatchewan in 2007, the highest proportion among the provinces, displacing Alberta. Saskatchewan and Alberta have traded this position several times over the last few years.

New Brunswick posted strong gains for the second year in a row in new vehicle sales, posting the fourth highest increase. These consecutive increases reversed declines during the previous three years. The province's growth was due mostly to an increase in the number of unit truck sales.

Table 3 New motor vehicles sales, by province and type of vehicle, 2007

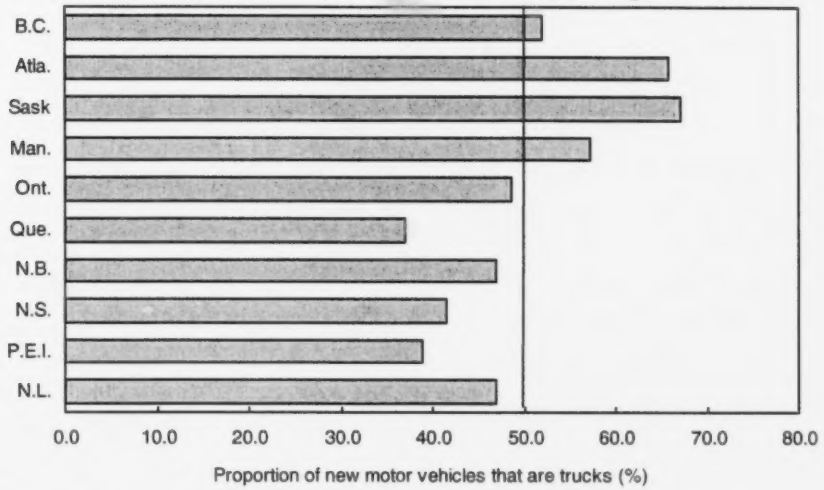
Province	Total new motor vehicles		Passenger cars		Trucks	
	units	% annual change	units	% annual change	units	% annual change
Newfoundland and Labrador	28,260	16.8	14,979	15.7	13,281	18.1
Prince Edward Island	5,303	7.5	3,238	6.7	2,065	8.7
Nova Scotia	49,187	3.0	28,794	1.5	20,393	5.3
New Brunswick	37,293	5.3	19,767	1.9	17,526	9.6
Quebec	413,405	2.3	260,594	0.2	152,811	6.0
Ontario	605,799	-2.4	311,914	-3.3	293,885	-1.4
Manitoba	47,099	2.6	20,185	2.3	26,914	2.8
Saskatchewan	45,546	14.1	14,991	7.4	30,555	17.7
Alberta	257,050	3.3	87,710	2.0	169,340	4.0
British Columbia	201,596	3.6	96,831	-0.4	104,765	7.5
Canada	1,690,538	1.5	859,003	-0.5	831,535	3.5

Note: For confidentiality reasons, British Columbia includes the Yukon, Northwest Territories and Nunavut.

Source: Statistics Canada, Distributive Trades Division, New Motor Vehicle Sales Survey.

Ontario was the only province to post declines in sales of both passenger cars (-3.3%) and trucks (-1.4%). In British Columbia, drivers bought slightly fewer passenger cars (-0.4%) as well. It was the third decline in five years for the coastal province.

Chart 4 Western provinces sold more trucks than passenger cars in 2007



Source: Statistics Canada, special tabulation, Distributive Trades Division.

Dollar sales: Dollars spent per vehicle purchased highest in Alberta

Alberta consumers and businesses spent the most on average for new vehicles last year at $35,348. Those in Prince Edward Island paid the least at $26,465. This reflects the dominance of the truck market in motor vehicle sales in Alberta, while passenger car sales predominate in Prince Edward Island.

In the passenger car market, Ontario drivers paid the most on average, $26,933. Motorists and businesses in British Columbia paid the most for trucks, an average of $40,666.

Drivers in Atlantic Canada and Quebec paid less on average for every new vehicle than those in the rest of the country. The average amount spent on both passenger cars and trucks was below the national average for both categories.

The average dollar amount paid by buyers for new motor vehicles fell last year in every province, except Newfoundland and Labrador, where they were up 1.5%, and Prince Edward Island, where they were virtually unchanged (+0.4%) and British Columbia where average amount spent was unchanged.

The largest declines occurred in Manitoba (-4.1%) and Ontario (-3.0%).

Table 4 Average amount spent on new motor vehicles by province, 2007

Province	All new motor vehicles	Passenger cars	Trucks
	$		
Alberta	35,348	26,385	39,990
Saskatchewan	34,662	24,905	39,448
British Columbia	33,856	26,488	40,666
Manitoba	33,259	24,551	39,791
Ontario	31,974	26,933	37,324
Canada	31,723	25,386	38,268
New Brunswick	29,322	22,520	36,992
Quebec	28,534	23,606	36,938
Nova Scotia	28,258	22,983	35,706
Newfoundland and Labrador	27,687	21,969	34,137
Prince Edward Island	26,465	21,884	33,649

Source: Statistics Canada, special tabulation, Distributive Trades Division.

Retail spending in dealerships still on top, but losing ground

Again in 2007, consumers and businesses spent the highest portion of their retail dollar at new car dealerships, even though this share has been declining since 2002.

For every $100 consumers spent in retail stores in 2007, $18.70 went to new car dealers. This was the lowest proportion since 1993, when the figure was $17.90.

Table 5 Spending in total retail and at new motor vehicle dealerships, Canada, 1993 to 2007

Year	Total retail spending	Spending in new car dealerships[1]	Proportion of spending in new car dealerships
	$ billions		%
1993	199.3	35.6	17.9
1994	214.0	41.2	19.2
1995	221.1	44.0	19.9
1996	228.4	46.8	20.5
1997	246.8	52.9	21.4
1998	256.5	54.3	21.2
1999	271.5	58.7	21.6
2000	287.8	61.0	21.2
2001	300.4	63.5	21.1
2002	319.5	69.2	21.6
2003	331.1	68.2	20.6
2004	346.7	68.1	19.7
2005	366.2	71.5	19.5
2006	389.5	74.5	19.1
2007	412.0	76.9	18.7

1. New car dealerships also source revenue from repair services, sales of parts and accessories, and sales of used vehicles.

Source: Statistics Canada, CANSIM table 080-0015.

Number of dealers still growing

At the end of 2007, there were 3,810 dealers selling new motor vehicles in Canada, as well as 15,014 dealers of used and recreational motor vehicle and parts. All types of dealers increased in number compared to 2006.

Across Canada, there were just under 144,000 Canadians working in automobile dealerships in 2007, representing a slight decline over 2006. Employment totals are for all workers in a dealership including sales and service personnel, mechanics and office staff.

In 2007, the average weekly earnings for an employee working for an automobile dealer (including new and used cars and trucks) amounted to $804.56. This amount was little changed from 2006 growing by less than a fifth of a percent.

Table 6 Number of motor vehicle dealers, employees and average earnings, 2004 to 2007

	New motor vehicle dealers	Used & recreational motor vehicle and parts dealers	Total employees	Average weekly earnings
	number of locations		thousands	$
2004	3,683	14,892	136.1	765.14
2005	3,707	14,843	138.9	753.01
2006	3,755	14,687	143.9	803.58
2007	3,810	15,014	143.6	804.56

Source: Statistics Canada, special tabulation, Distributive Trade Division and Labour Statistics Division.